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FISCAL IMPACT STATEMENT

LS 6805 | **NOTE PREPARED:** Dec 29, 2012
BILL NUMBER: HB 1164 | **BILL AMENDED:**

SUBJECT: Definition of homestead.

FIRST AUTHOR: Rep. Pryor | **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL** **DEDICATED** **FEDERAL** | **IMPACT:** Local

Summary of Legislation: This bill specifies that property that is not owned by an individual, a cooperative housing corporation, or certain trusts can qualify as a homestead for purposes of the property tax laws only if: (1) the property received the standard deduction for the March 1, 2009, assessment date; and (2) the property is owned by the same entity that owned the property on the March 1, 2009, assessment date.

Effective Date: July 1, 2013.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: *Summary*: If this provision results in a reduction in the number of homestead eligible taxpayers, then a part of the tax burden would be shifted to the newly unqualified taxpayers from all other taxpayers through a reduced tax rate. County-funded homestead credits currently received by the unqualified taxpayers would be credited to the remaining qualified homeowners. The increased tax cap for the unqualified taxpayers could increase property tax collections for taxing units where some homesteads have reached the 1% circuit breaker cap.

Background: Under current law, the standard deduction may be claimed by an individual or by a trust. Under HEA 1001 (2009ss) other entities may also claim the deduction if (1) the individual residing on the property is a shareholder, partner, or member of the entity that owns the property, and (2) the property was eligible for the standard deduction under this definition on March 1, 2009.

To qualify for the standard deduction beginning with taxes payable in CY 2015 under this bill, the other entities must have actually received the standard deduction rather than just having been eligible. In addition, the property must currently have the same ownership as it did for the 2009 assessment date in order to qualify for the standard deduction.

Homesteads currently receive a property tax standard deduction worth 60% of AV up to $45,000 and the supplemental standard deduction worth 35% on the first $600,000 of net AV after the standard deduction plus 25% of the net AV that exceeds $600,000. The aged, blind/disabled, and veterans property tax deductions may also apply. In addition, homestead property is subject to a 1% circuit breaker cap. Nonhomestead residential property does not qualify for most of these deductions and is subject to a 2% circuit breaker cap.

State Agencies Affected:

Local Agencies Affected: County auditors; Local civil taxing units and school corporations.

Information Sources:

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